

Using Innovative Finance for “BAM” – BRTs, Availability Payments, and Master Credit Agreements



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2013 Transportation Summit, June 5, 2013

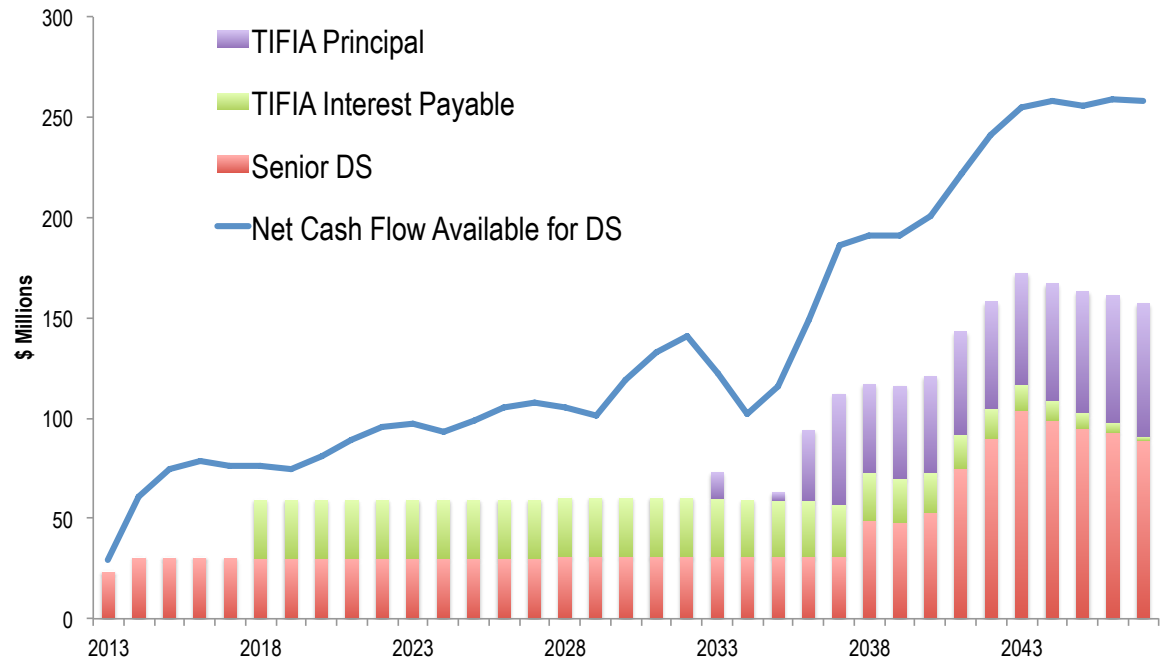
Overview

- Innovative finance overview
- US 36: Marrying managed lanes and bus rapid transit
- Eagle P3: Using availability payments to leverage all dollars
- Crenshaw: Serving as foundation for 30/10 program and master credit agreements
- LA Streetcar: Little project that could

TIFIA is one of the major innovative finance sources; RRIF and FDOT's SIB are available, too

- TIFIA loans are flexible and low cost:
 - Funds only 1/3 to 1/2 of project at US Treasury rates
 - Funding repayment is relatively flexible
 - Capacity increased from \$1B/yr. to \$7–10B/yr. under MAP-21

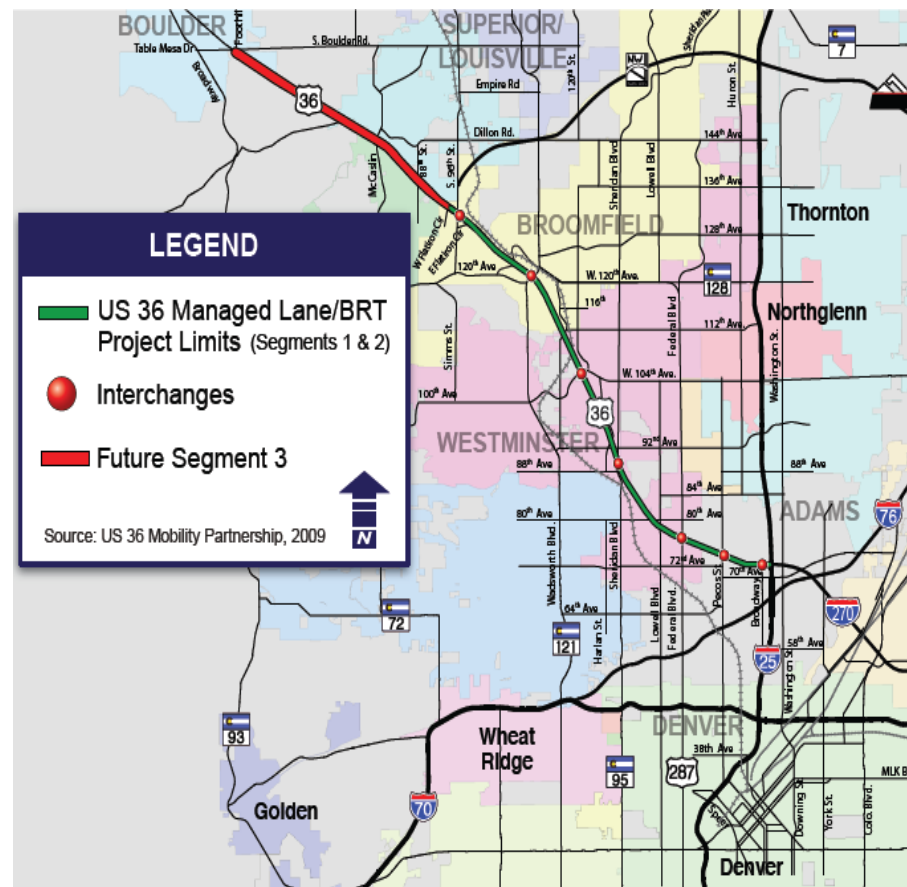
Project Cash Flow with TIFIA Loan Example



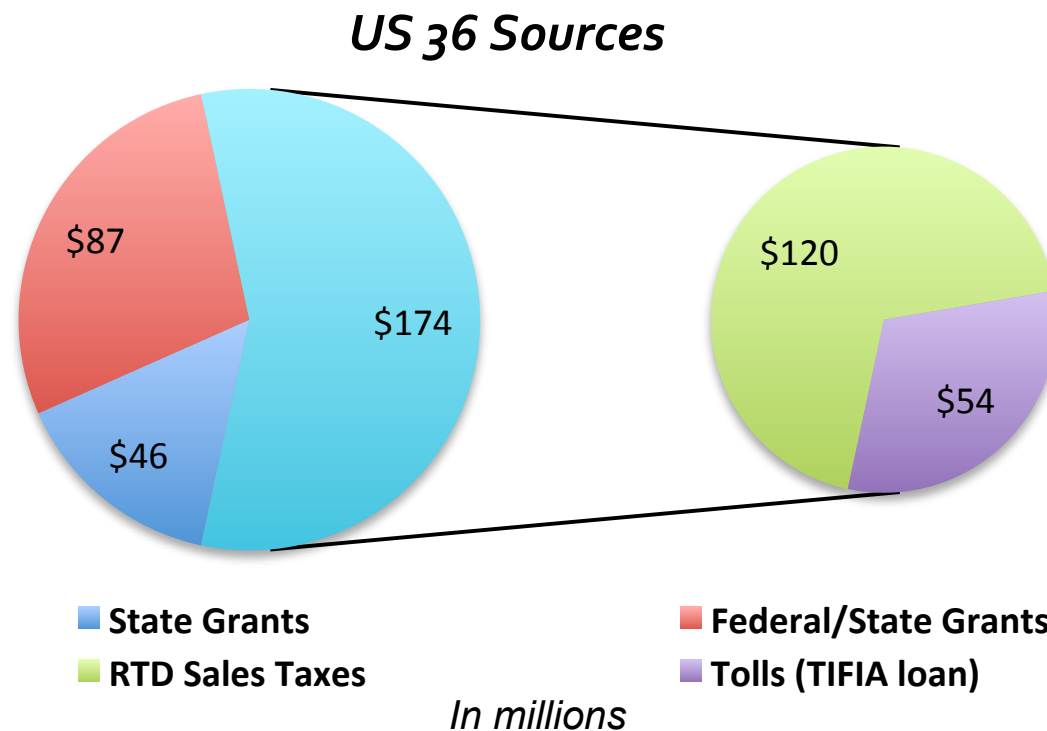
- RRIF has over \$30B financing capacity for freight and passenger rail, including Amtrak, VRE, Denver Union Station projects

US 36 Phase 1 marries managed lanes (MLs) and bus rapid transit (BRT) projects

- Project is 10-mile segment of U.S. 36 between Denver and Boulder
- Upon completion in 2015, U.S. 36 will be 6 lanes, 2 of which will be MLs
 - MLs are anticipated to be HOV 2+
 - BRT will become part of Denver Regional Transportation District's (RTD) FasTracks program, connecting to existing transportation networks



Project is funded 57/43 with regional sources (sales taxes/tolls) and grants (state & federal)



- Tolls pledged from project and adjacent, existing I-25
- Project benefited from TIGER grant to fund TIFIA loan subsidy

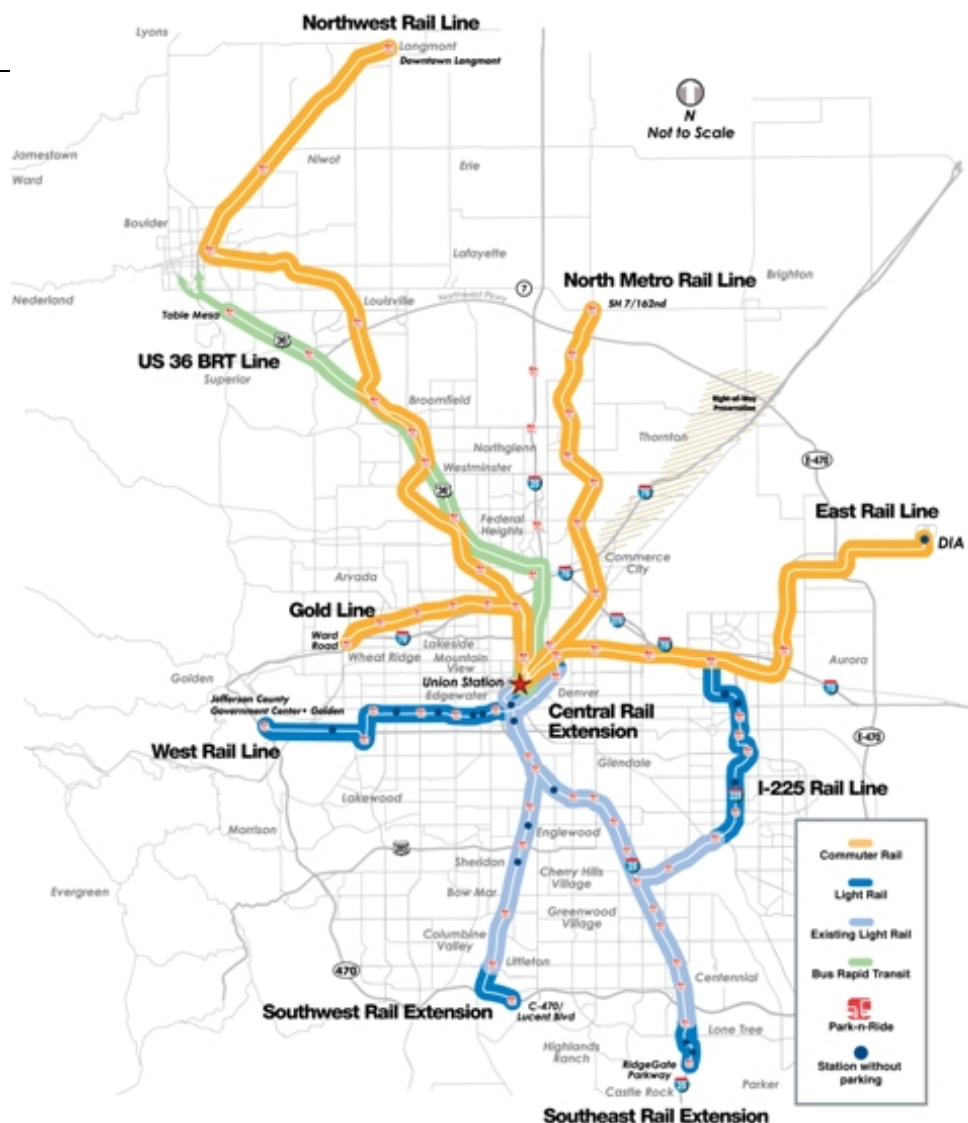
Public Phase 1 will be followed by P3 Phase 2

- Project will utilize design-build contracting for construction
- Colorado DOT and its High Performing Transportation Enterprise are now pursuing DBFOM P3 approach for Phase 2
 - Private concessionaire will complete project to near Boulder and take over Phase 1 and I-25, 24 miles in total
 - Concessionaire seeking additional TIFIA loan



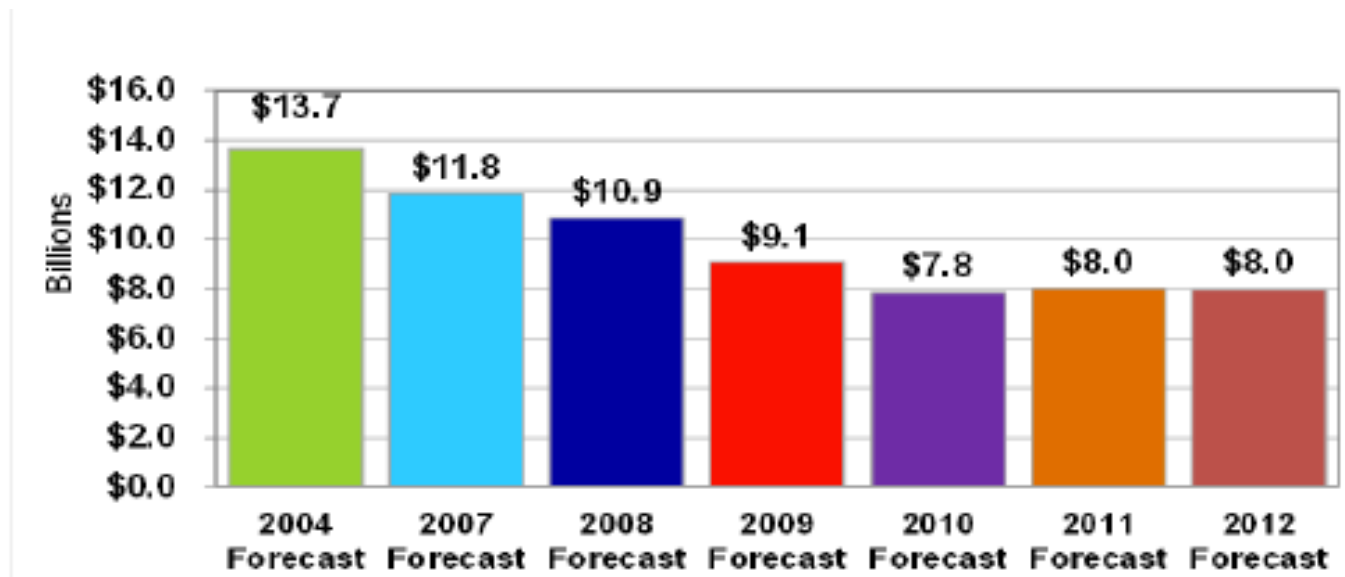
US 36 is part of RTD's ambitious FasTracks program

- FasTracks plan since 2004:
 - 122 miles of new light and commuter rail
 - 18 miles of BRT
 - 21,000 new parking spaces
- Realized so far:
 - 81 miles of rail and bus transit in construction or soon to begin
 - Four rail lines
 - Segment of fifth line
 - BRT project
 - Denver Union Station



As in many communities, RTD scaled back plans as sales tax forecasts declined by almost half

Historical Perspective of Tax Revenue Forecasts, 2005-2035



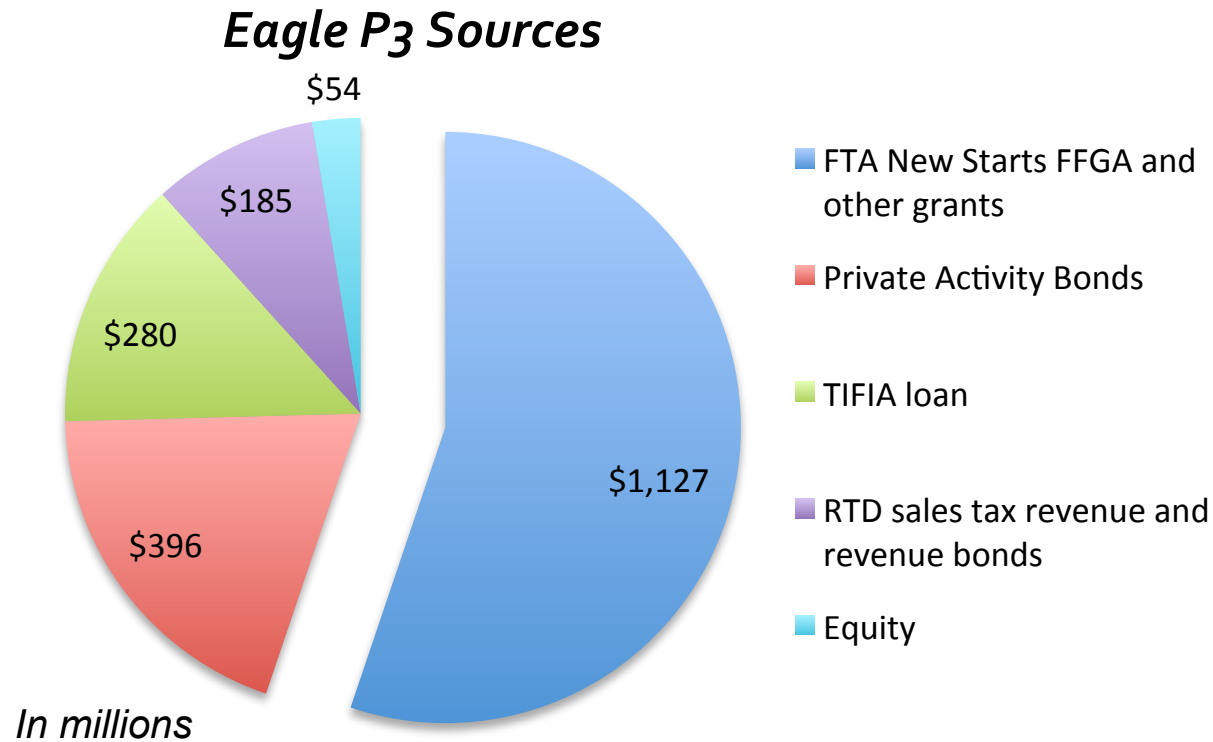
- Low interest rates have recently allowed some projects to go forward that were otherwise delayed due to recession

Despite financial challenges, RTD's Eagle P3 is on track, as first transit availability payment P3

- RTD procured private team for 34-year design, build, operate, maintain (DBOM) contract
- Private team obligated for:
 - O&M
 - Capital replacement
- RTD retains and controls:
 - Assets
 - Ridership and revenue risk
 - Fare policy
 - Performance criteria



Eagle P3 funded 55/45 with grants (FTA), debt secured by sales taxes (TIFIA and PABs), and equity



- TIFIA secured by pledge of RTD's sales tax revenues
- PABs secured by "service payments," part of availability payment structure

Failure to meet service task orders can result in service payments reductions—up to 5%

Element/Item	Standard	STO Remedy Time	STOP Points
Elevators	At least one function per location	2 hours initial response; 12 hours completed repair	5
Rolling Stock Preventative Maintenance	All inspections must be completed	None	5
Graffiti	Major “tags” greater than 12” diameter & all offensive content	Area isolated, covered or cleaned within 8 hours	2
Fire extinguishers & firefighting equipment	Equipment available	4 hours	5
Trash bins	No more than 75% full	4 hours	2
Fare enforcement	Failure to perform in accordance with program	2 hours	5

Service payments mitigate O&M risks & maintain sponsor focus, yet bondholders are secure

- Portion of service payments subject to maximum deductions:

**75% - No
Deductions**

**20% -
Availability
Deductions**

**5% –
Performance
Deductions**

- Maximum service payment reductions should affect **dividend payments**, not debt service
- \$398 M Private Activity bondholders have minimal risk

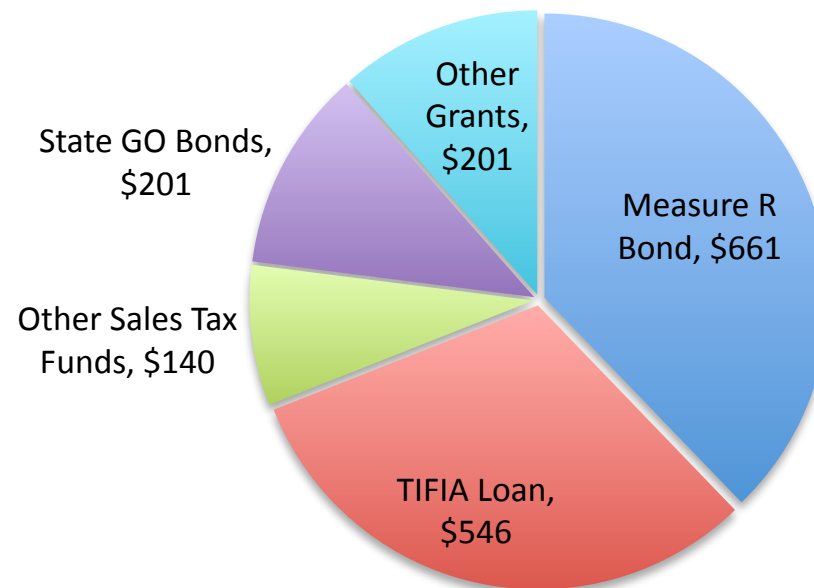
Crenshaw/LAX Light Rail Transit (LRT) connects central LA to airport and is foundation of 30/10 plan

- Crenshaw consists of 8.5-mile LRT, including 6 stations, 20 LRT vehicles, and full service maintenance facility
- It will connect downtown and Westside region of City of Los Angeles with South Bay region of Los Angeles County
- Interim intermodal transit connection to Los Angeles International Airport (LAX) will be constructed at Aviation/Century Station



Crenshaw is primarily funded by sales taxes . . .

- Over 75% of \$1,749M Crenshaw/LAX project was funded/financed with sales or sales-tax based debt



In millions

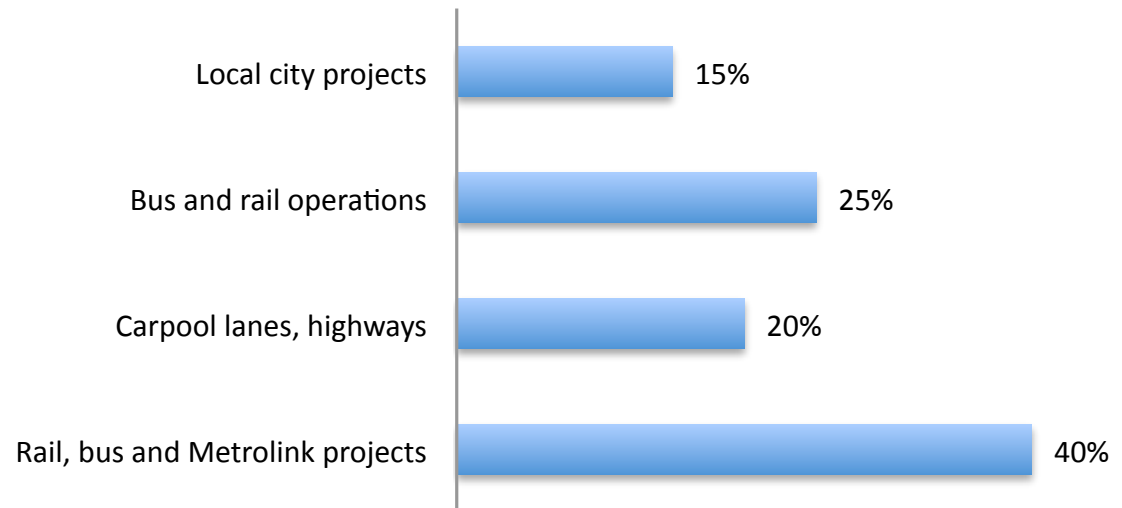
. . . as is much of LA 30/10 America Fast Forward Plan



30/10 plan was made possible by additional ½ cent sales tax and grants, TIFIA assumptions

- Measure R is new 0.5% sales tax approved by LA County voters in 2008 (in addition to previous 1.0% of transportation-dedicated sales taxes)
- In 2008, was projected to generate \$40B; now less

Distribution of Measure R Funds



Under MAP-21, LA can apply for “master credit agreement” TIFIA loans to fund system of projects

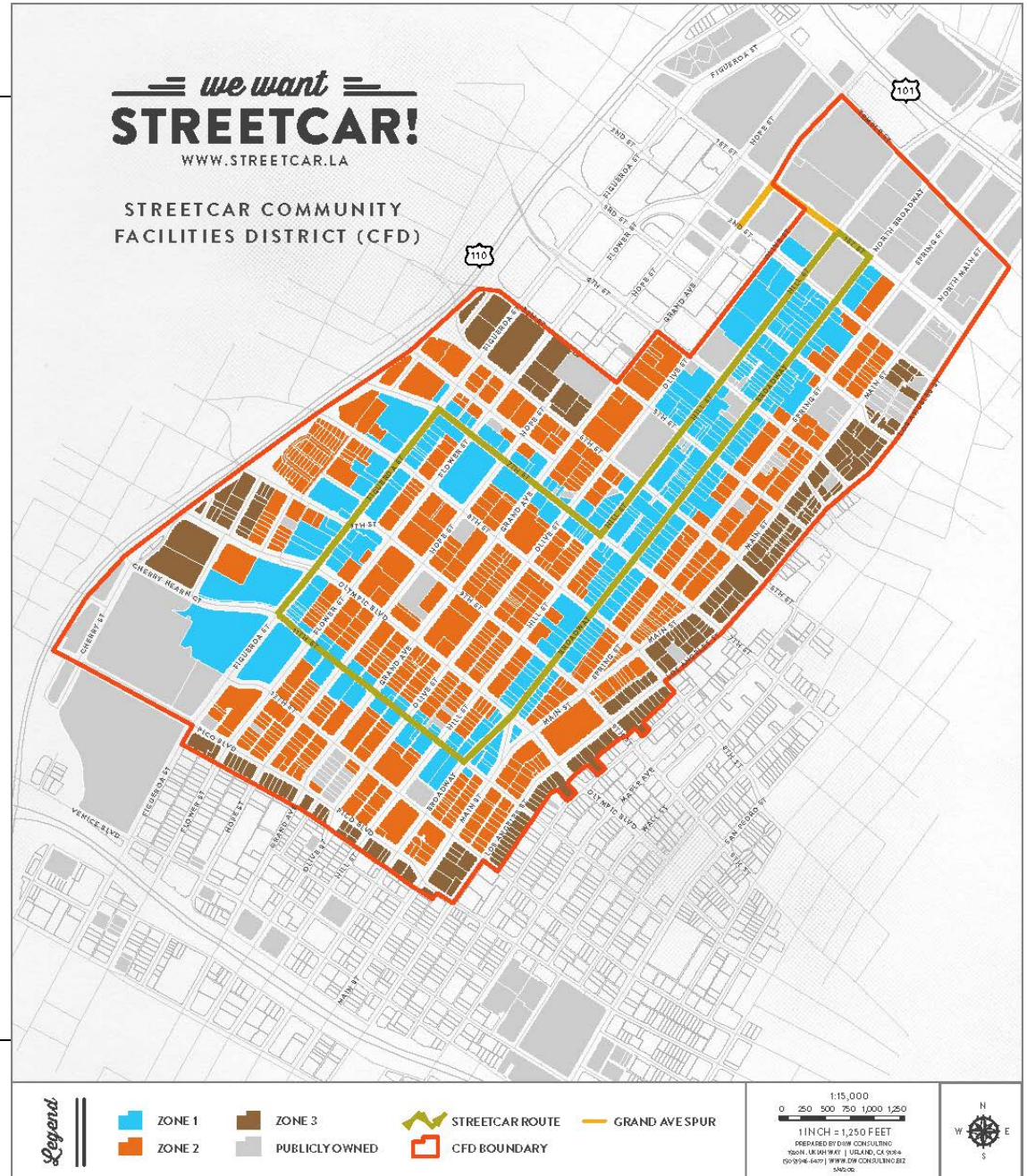
- MAP-21 newly authorizes "master credit agreements," under which DOT may make contingent commitment of future TIFIA assistance for program of projects secured by common revenue pledge
- Revenues cannot be derived from project and need to be creditworthy, i.e. sales taxes are ideal
- Potentially makes TIFIA more flexible when timing of any one project uncertain



Also in LA: streetcar captures value

- In late 2012 landowners voted to fund \$125M streetcar, located on similar alignment as past streetcars
- Half funded from “Community Facilities District” assessments
- Rest from expected federal monies
- City covers O&M from fares and other sources

Source: <http://www.streetcar.la>



Innovative finance with dedicated and varied sources means more “BAM”

- Optimally leveraging **sales taxes** is critical for all major programs
- Accessing **toll revenues** can supplement traditional transit sources
- **TIFIA's expansion** provides opportunities to realize harder-to-finance projects and master credit agreements offers new flexibility
- Sales tax, toll sources, and innovative finance techniques can be **melded with value capture approaches** in right projects

